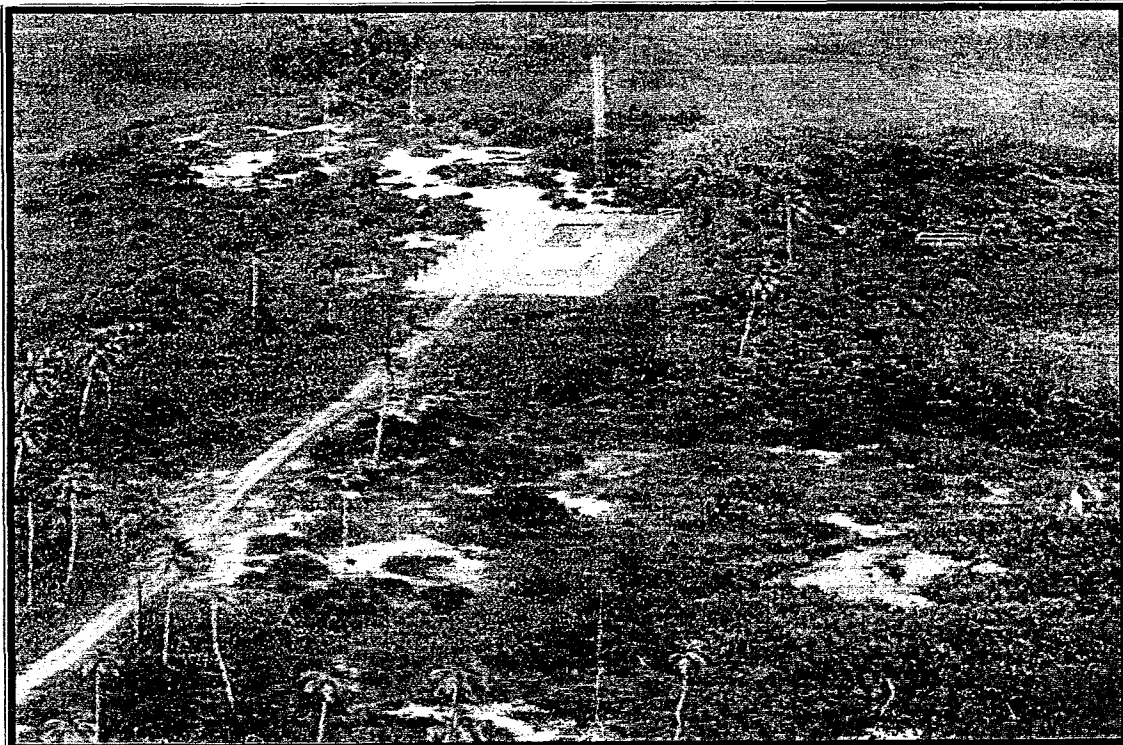


# **EXHIBIT B**

## **Residential Appraisal**



Carlos E. Gaztambide and Associates Inc.

APPRAISAL REPORT OF  
A VACANT PARCEL OF LAND COMPRISING 34.930 CUERDAS (33.92356 ACRES)  
LOCATED AT KM. 3.8, INTERIOR PUERTO RICO ROAD 687  
YEGUADA WARD, VEGA BAJA, PUERTO RICO

PREPARED FOR:

MR. JUAN PIZA-BLONDET  
MR. MAURICE PIZA, ESQUIRE  
ASHFORD AVENUE CORNER AGUADILLA STREET  
CONDADO, PUERTO RICO 00907

PREPARED BY:

CARLOS E. GAZTAMBIDE AND ASSOCIATES, INC.  
REAL ESTATE APPRAISERS AND CONSULTANTS  
SUITE 1515, BANCO POPULAR CENTER  
HATO REY, SAN JUAN, PUERTO RICO 00918

# Carlos E. Gaztambide, MAI, MIE



PROFESSIONAL REAL ESTATE APPRAISER

LICENSE #94

GENERAL CERTIFICATION #4

SUITE 1515, BANCO POPULAR CENTER  
HATO REY, SAN JUAN, PUERTO RICO 00918

TELEPHONE (787) 753-8475  
FAX (787) 753-1829

June 13, 2005

Mr. Juan Pizá-Blondet  
Mr. Maurice Pizá, Esquire  
Ashford Avenue Corner Aguadilla Street  
San Juan, Puerto Rico 00907

Re: Vacant Parcel of Land Comprising  
34.930 Cuerdas (33.92356 Acres)  
Located at Km. 3.8 (int.) Puerto Rico Road 687  
Yeguada Ward, Vega Baja, Puerto Rico

Gentlemen:

In compliance with your request, we have finished the necessary fieldwork, research and analyses to complete the appraisal of caption property. The purpose of this appraisal is to estimate the Market Value of the Fee Simple Estate on the subject property as of December 2, 1998. The last inspection date of the subject property was June 3, 2005.

The definition of Market Value of the Fee Simple Estate and other pertinent terminology are found within or as an exhibit of the appraisal report. A detailed description and analyses of the information gathered for this valuation and our assessment of its relative importance in attaining the final conclusion of value are included in the report. The document is a complete appraisal presented in narrative format. It is self contained from the perspective that includes the necessary data and reasoning conducive to our conclusion of value. However, for the sake of brevity, some sections are presented in summary format with reference made to other sections of the report or to widely recognized and respected publications dealing with the real estate industry.

We have carefully inspected the subject property, the neighborhood, as well as the most relevant market data available. A detailed analysis of the pertinent information and its relative importance in attaining our final conclusion is included in the body of the report.

On the basis of the investigations and analysis performed, our opinion of Market Value of the Fee Simple Estate of the subject property as of the stated effective date is as stated in the Certifications of Value within the report.

Mr. Juan Pizá-Blondet  
Mr. Maurice Pizá, Esquire  
June 13, 2005  
Page 2

### **Mineable Quartz Sand Deposit**


Our geologist consultant, James Joyce, Ph D. PG, Professor of Geology prepared a full report on this subject. In his observations he states: "previous studies of the deposits indicate that they are very pure (higher than 97% quartz)". Besides he concluded: "that the volume of exploitable quartz sand below the site is estimated to be on the order of 100,000 to 260,000 cubic meters (rounded figures)". "Given the high value of the quartz sands, their occurrence at the site significantly raises the value of the expropriated property".

We prepared a Discounted Cash Flow Analysis considering all income and expenses in order to estimate the Present Value of these deposits as of the date of the taking. This is presented as an addenda to this report.

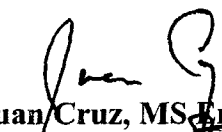
Furthermore, our Engineer-Consultant opines that the extraction and sale of deposits like the ones at the subject are incidental to any development permit and are customarily attainable. There is evidence in the neighborhood to the effect this is attainable. This evidence is included with the support documents addenda of this report.

Our conclusion of value is subject to the Contingent and Limiting Conditions included in the appraisal report. These are of general nature in order to ascertain the extent and scope of our engagement and in no way these weaken the final conclusion of value.

Respectfully submitted,



**Carlos E. Gaztambide, Juris Doctor, MAI**  
Professional Real Estate Appraiser  
Appraiser License #94 - Puerto Rico  
General Certification #4 - Puerto Rico



**Juan Cruz, MS Eng. Mgt., MBA**  
Professional Real Estate Appraiser  
Appraiser License #663 - Puerto Rico  
General Certification #149 - Puerto Rico

### **DESCRIPTION OF THE SUBJECT PROPERTY**

The subject property is a suburban vacant parcel of land located at Km. 3.8, Interior, Puerto Rico Road 687, Yeguada Ward, Vega Baja, Puerto Rico. The subject is at a convenient distance (about four kilometers) from Puerto Rico Road 2 through Road 687. It is also at a convenient location from the José de Diego Expressway (which leads into San Juan) and from the center of the city of Vega Baja.

The subject property is a vacant parcel of land comprising 34.93 cuerdas (33.92356 acres) with a level topography and a local view. It is very important to mention that the subject property has its access through a right of way of 0.892 cuerdas (0.86522 acres) that connects to an interior municipal road about 500 lineal meters from Road 687. For the purpose of this appraisal assignment the effective area is 34.930 cuerdas (34.038 cuerdas plus 0.892 cuerdas equal to 34.930 cuerdas or 33.92356 acres). Furthermore, for the highest and best use determination, it is pertinent to mention that a 13 meters wide access has been approved and segregated which lead into the immediate area of the subject property.

Based on its recording, configuration, topography and its access, the subject property constitute an independent parcel of 34.930 cuerdas (33.92356 acres).

The subject is located in a Zone AE (inside the 500 year flood plain) according to the Flood Insurance Rate Map #72-0000-0040-E, revised on June 2, 1999. According to an evaluation of the Sheet No. 7B of the Puerto Rico Planning Board Flood Rate Map, about half or the west section

(56%) of the subject property is located within Zone 2, with the remainder 44% of the east section the subject within Zone 1.

Within Zone 2, the Puerto Rico's Department of Natural and Environmental Resources (DNER) authorizes development if adequate precautions are taken to fill the land to elevations that protect the property from rising waters and/or floods. On Zone 1, the DNER does not condone development in areas with this classification.

Based on the Site Environmental Assessment Report conducted by Dames & Moore on May 29, 1999 for the Environment and Natural Resources Division of the U.S. Department of Justice the wetland and upland coverage of the subject property was estimated in 15 acres of wetlands (44%) and 19 acres of upland (56%). We assumed these figures as true and correct.

The subject is located inside the special zoning rated areas under LT-B2 District, as per Sheet No. 35 of the "Mapa de Zonificación Especial Cuenca Hidrográfica de la Laguna Tortuguero" of the Puerto Rico Planning Board, valid since October 28, 2000. The LT-B2 District ("Laguna Tortuguero-Bosque de Mangle") was established to identify and protect the irreversible damage to wetlands and associated systems like mangroves forests and salty ponds. The only presumable uses are: activities related to aesthetic values, refuge and species breeding places, the coastal protection, scientific investigation, passive recreation as long as they do not affect the natural ecosystem, plus the construction of fisherman's piers without affecting the mangroves.

The B-2 zoning is not an absolute negation to development because R-1 and R-3 equivalent subdivisions have been approved not only on the main tract owned by Mr. Pizá Blondet but in numerous properties that have this zoning and subsequently were approved for development presumably because these do not represent an adverse factor with respect to the protection of the lagoon. To that effect, we are presenting an aerial photograph showing numerous residential developments to the east and south of this lagoon. Furthermore, we have included as an exhibit of this appraisal the Declaration prepared by Carlos E. Gaztambide, Juris Doctor, MAI that includes numerous exhibits that prove development of the subject property is possible.



### **HIGHEST AND BEST USE**

According to the Dictionary of Real Estate Appraisal (Appraisal Institute) highest and best use is defined as follows:

**The reasonable probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.**

In this analysis the procedure is as follows: First, the highest and best use of the land as though vacant must be determined. If the highest and best use of the land is to be improved, then, the ideal improvements must be determined. Finally, the ideal improvements must be compared to the existing improvements (if any) and a determination made whether to maintain the property "as is" or modify the improvements.

#### **Highest and Best Use as Though Vacant**

**Legal Permissibility Test:** The subject is located inside the special zoning rated areas under LT-B2 District as per Sheet No. 35 of the "Mapa de Zonificación Especial Cuenca Hidrográfica de la Laguna Tortuguero" of the Puerto Rico Planning Board.

The LT-B2 District ("Laguna Tortuguero-Bosque de Mangle") was established to identify and protect of irreversible damage to wetlands and associated systems like mangroves forests and salty ponds. The only presumably uses in wetlands, mangroves and salty ponds are: activities related to aesthetic values, refuge and species breeding places, the coastal protection, scientific investigation, passive recreation as long as they do not affect the natural ecosystem, plus the construction of fisherman's piers without affecting the mangroves.

The B-2 zoning is not an absolute negation to development because R-1 and R-3 equivalent subdivisions have been approved not only on the main tract owned by Mr. Pizá Blondet but in numerous properties that have this zoning and subsequently were approved for development presumably because these do not represent an adverse factor with respect to the protection of the lagoon. To that effect, we are presenting an aerial photograph showing numerous residential developments to the east and south of this lagoon. Furthermore, we have included as an exhibit of this appraisal the Declaration prepared by Carlos E. Gaztamnide, Juris Doctor, MAI that includes numerous exhibits that prove development of the subject property is possible.

Based on the above, there is a reasonable probability that the subject may be approved for medium density residential development if adequate protection to or mitigation of the wetland is provided.

There is evidence that as an incidental legal practice under a development scheme, the sand deposits on the subject may be substituted with stable borrow fill that exists in another portion of the main tract. The value of the sand deposits is estimated in an addendum of this report.

**Physical Possibility Test:** The subject property is a suburban vacant parcel of land located at Km. 3.8, Interior, Puerto Rico Road 687, Yeguada Ward, Vega Baja, Puerto Rico.

The subject is located in a Zone AE (inside the 500 year flood plain) according to the Flood Insurance Rate Map #72-0000-0040-E, revised on June 2, 1999. According to an evaluation of the Sheet No. 7B of the Puerto Rico Planning Board Flood Rate Map, about half or the west section (56%) of the subject property is located within Zone 2 with the remainder 44% east section of the subject within Zone 1.

Within Zone 2, the Puerto Rico's Department of Natural and Environmental Resources (DNER) authorizes development if adequate precautions are taken to fill the land to elevations that protect the property from rising waters and/or floods. On Zone 1, the DNER does not condone development in areas with this classification.

Based on the Site Environmental Assessment Report conducted by Dames & Moore on May 29, 1999 for the Environment and Natural Resources Division of the U.S. Department of Justice the wetland and upland coverage of the subject property was estimated in 15 acres of wetlands (44%) and 19 acres of upland (56%). We assumed these figures as true and correct.

To the southwest of the subject property, in a parcel of land segregated from the main farm from which the subject was segregated and property of Mr. Juan Pizá-Blondet, is Haciendas de Tortuguero. This is a residential subdivision of 44 units with several units that have been completed and with several units under construction. Haciendas de Tortuguero is being developed inside the Conservation Resources Zoning District of the Tortuguero Lagoon Special Zoning Regulation.

Based on the characteristics of the subject property and the trend in the neighboring parcels, the subject is suitable for residential development in the upland section.

**Financial Feasibility Test:** As previously mentioned, based on the Site Environmental Assessment Report conducted by Dames & Moore on May 29, 1999 the wetland and upland coverage of the subject property was estimated in 15 acres of wetlands (44%) and 19 acres of upland (56%). We assume these figures are true and correct.

For the wetland section of the subject property, the possible use is for conservation or mitigation while for the upland section is for medium density residential development.

For parcels of land with wetland sections, as the subject property, the possible use is for conservation or for mitigation. In the case of conservation, it is possible to establish a Conservation Easement for the donation of the subject property to the Puerto Rico's Government (ELA) or to a non-profit organization with its main purpose to protect or conserve areas with natural or cultural value. Based on this donation, it is possible to receive a tax benefit that consists of a deduction in gross revenue on the income tax return of the donor.

In the case of the of the mitigation process, when the developer has a project that impacts a sensitive property and as a consequence mitigation is necessary, he needs to go to the open market to obtain a parcel of land with the same zoning classification and similar physical characteristics in order to comply with the requirements of the governmental agencies.

For the upland section of the subject property it is possible to develop of a medium density residential project. As previously stated in the legally permissible section of this section, the B-2 zoning is not an absolute negation to development. R-1 and R-3 equivalent subdivisions have been approved in numerous properties that have this zoning and subsequently were approved for development presumably because they do not represent an adverse factor with respect to the protection of the lagoon. To that effect, we are presenting an aerial photograph showing numerous residential developments to the east and south of this lagoon.

According to a study prepared by Estudios Técnicos for the Puerto Rico Bankers Association for the period of 1999 to 2003, the demand for housing in the Vega Baja area is strong. There are a good number of residential projects that have sold successfully in the city of Vega Baja. One of the reasons why Vega Baja is so good for the residential market is because it is an alternative location to the San Juan Metropolitan Area due to its convenient commuting distance offering good housing at competitive prices.

**Maximal Productivity Test:** At present, no alternative use to residential development for the middle class market segment is forecasted to generate the return which such development would yield.

### **Conclusion**

Given the subject's location, and the trends of the neighborhood, the residential use of the subject for a residential development is forecasted to produce the highest net return to the site over a typical holding period.

**Comparable Sale Number L-1**

Grantor	:	Juan Piza-Blondet
Grantee	:	Orange Development SE
Location	:	Part of the Site of Haciendas de Tortuguero. Yeguada Ward, Vega Baja, Puerto Rico PIN: Part of 017-000-07-019-000
Description	:	The main characteristics of this improved parcel may be outline as follows:
Zoning	:	CR, Conservation of Resources
Highest and Best Use	:	Residential
Infrastructure	:	Adequate suburban mains serve this property
Topography	:	Nearly Level
Access	:	Adequate through Road 687
Frontage	:	Adequate through Road 687
Corner	:	No
Exposure	:	Adequate to local traffic and to the Road 687
Configuration	:	Irregular
Flood Rating	:	Zone "X", FIRM #720000-0040-E, Map revised June 2, 1999
Area	:	15.1421 Cuerdas
Improvements	:	None
Source	:	Segregated from Property #1,987, Page #183, Book #72 of Vega Baja. Section IV of the Property Registry Office in Bayamón.
Deed	:	Number 6, before Carlos Colón Marchant, Esquire
Date	:	May 29, 1997
Price	:	\$752,105.00
Unit Price	:	\$49,670.00
Financing	:	Assumed market given the grantor
Comments	:	This sale is for two parcels with areas of 1.168 and 13.9741 cuerdas, identified as Parcels "A" and "B", that formed part of the Piza's property. This property was purchased for development of the Haciendas de Tortuguero, with an approval for 44 single-family residential units on lots with minimum areas of 900 square meters, to the East of Road 687.

**Comparable Sale Number L-2**

Grantor	:	Juan Piza-Blondet
Grantee	:	Orange Development S.E.
Location	:	Part of Site of Haciendas de Tortuguero. Yeguada Ward, Vega Baja, Puerto Rico PIN: Part of 017-000-07-019-000
Description	:	The main characteristics of this improved parcel may be outline as follows:
Zoning	:	CR, Conservation of Resources
Highest and Best Use	:	Residential
Infrastructure	:	Adequate suburban mains serve this property
Topography	:	Nearly Level
Access	:	Adequate through Road 687
Frontage	:	Adequate through Road 687
Corner	:	No
Exposure	:	Adequate to local traffic and to the Road 687
Configuration	:	Irregular
Flood Rating	:	Zone "X", FIRM #720000-0040-E, Map revised June 2, 1999
Area	:	7.88 Cuerdas (two parcels)
Improvements	:	None
Source	:	Segregated from Property #1987, Page#183. Book #72 of Vega Baja. Presented for subscription at Entry #233 of Diary #512, Section IV of the Property Registry Office in Bayamón.
Deed	:	Number 455, before Jorge García Soto, Esquire
Date	:	July 29, 1997
Price	:	\$394,400.00
Unit Price	:	\$50,051.00
Financing	:	Assumed market given the grantor
Comments	:	This sale is for two parcels with areas of 5.2028 and 2.6852 cuerdas. These two parcels are located at a short distance to the east of state road and were purchased for development as part of the Haciendas de Tortuguero Residential Development.

**Comparable Sale Number L-3**

Grantor	:	Desarrollos de Ciudad Real
Grantee	:	Constructora SM, SE
Location	:	Site on 3 <sup>rd</sup> and 4 <sup>th</sup> Phases of Ciudad Real, Puerto Rico Road 687, Algarrobos Ward, Vega Baja, Puerto Rico PIN: Part of 035-000-02-001-000
Description	:	The main characteristics of this improved parcel may be outline as follows:
Zoning	:	AD, Developed Area
Highest and Best Use	:	Medium Density Residential
Infrastructure	:	Adequate suburban mains serve this property
Topography	:	Mostly Level, graded
Access	:	Adequate through Road 687
Frontage	:	Adequate through Road 687
Corner	:	No
Exposure	:	Adequate to local traffic and to the Road 687
Configuration	:	Rectangular
Flood Rating	:	Outside the Flood Zone
Area	:	30.0485 Cuerdas
Improvements	:	None
Source	:	Segregated from Property No. 437, Page No. 252, Book No. 143 of Vega Baja. Presented for inscription at Entry No. 135 of Diary No. 87. Section IV of the Property Registry Office of Bayamon.
Deed	:	Number 1, before Mayra E. Monserrate, Esq.
Date	:	January 15, 1999
Price	:	\$1,640,000.00
Unit Price	:	\$54,578.00
Financing	:	Assumed market given the grantor
Comments	:	At the time of sale, this property had plans and approvals for the proposed residential subdivision and most of the earthmoving operations had been completed.